GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:737
ANSWERED ON:16.05.2002
POWER DISTRIBUTION REFORMS
SUNDER LAL TIWARI

Will the Minister of POWER be pleased to state:

(a) whether the Government have since received the report of the committee suggesting measures for implementation of distribution reforms in power sector;

(b) if so, the recommendations thereof;

(c) the reaction of the Government thereto; and

(d) the time by which the recommendations are likely to be implemented?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (d) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF STARRED QUESTION NO. 737 TO BE ANSWERED IN TH LOK SABHA ON 16.05.2002 REGARDING POWER DISTRIBUTION REFORMS.

(a) to (d) : Yes, Sir. The Distribution Policy Committee Report has been received and is under consideration of Ministry of Power. The important recommendations of the Committee may be seen at Annexure-I.

ANNEXURE-I

ANNEXURE REFERRED TO IN PARTS (a) TO (d) OF THE STATEMENT LAID IN REPLY TO STARRED QUESTION NO.737 TO BE ANSWERED IN THE LOK SABHA ON 16.05.2002 REGARDING POWER DISTRIBUTION REFORMS.

IMPORTANT RECOMMENDATIONS OF DISTRIBUTION POLICY COMMITTEE

? A viable strategy for achieving commercial viability would need to encompass improvements in efficiency through various measures including better management, suitable investments etc. An important segment of the strategy for improvement of the distribution sector is rural supply.

? Alternative models like co-operatisation, corporatisation etc. can be attempted, the bottom line being that the sector must achieve commercial viability in 2-3 years.

? Wherever improvements in efficiency of operations are difficult within the current ownership framework, private sector participation in distribution should be an objective for State Governments to pursue seriously.

? Privatisation of distribution needs the adoption of an appropriate model and a suitable independent regulatory system. Like in Orissa the entire distribution area can be privatized at one instance. Privatisation can also be attempted alternatively by privatizing the high load urban areas first and privatisation of rural areas at a later date. Micro privatisation of rural areas may also be attempted. However, the process of distribution privatisation would necessarily have to focus on resolving the transition issues relating to distribution operations such as past losses, receivables, subsidy etc.

? It would be important to develop time frame for the various actions in terms of what can be achieved within six months (short terms), over a period of twelve months (medium term) and over a period of eighteen months (long term).

? Various actions pertaining to the above strategy are as follows:-

o For improvement in efficiency of operations, short term strategy should include formulation of a metering plan to complete metering at all levels, creation of responsibility/profit centers, effective energy audit with the use of information technology (IT) for effective action against theft and avoidable technical losses, promulgation of an ordinance bringing suitable amendments to the provisions regarding

theft of electricity in the existing Act if the enactment of the Electricity Bill which has been introduced in the Parliament, is delayed. As medium term strategy, sensitization seminars should be organized to enhance professional expertise and leadership needed by the electricity industry.

o For Rural Electrification, as part of short term strategy, there is a need to implement a customized approach. This would require separation of the main stream operations from the rural operations and adopting specific policies and plans for rural operations.

o Strategy for privatization of distribution business can have several dimensions. As short term strategy, the Central Govt. should come out with a Tariff Policy which would act as a guideline for the regulatory commission for the tariff determining process. Other short measures should include identifying agencies for determining baseline data, determining incentives for loss reduction etc. Medium term strategy should include marketing of privatization benefits to the consumers, institutional strengthening of CERC/SERCs by attracting people of high caliber and appropriate experience, adoption of a pragmatic approach to valuation of distribution business, establishment of a Power Sector Reform Fund (PSRF) where the State Govts. should credit privatization proceeds for the sole purpose of restructuring the power sector The long term strategy for privatisation would include selection of privatisation model for the state. The transition path set for the private investor would need to consider the cost related issues as also the issues relating to revenue gap and arrangements for financing the same.

o Incentives from Center to States :-Reforms in distributions sector, primarily being the prerogative of the states, there is need for the center to incentivise the states. This could be achieved by linking progress in reforms on the basis of the above action plan to benefits from the activities of CPSUs like NTPC, NPC, NLC, PFC, REC and PGCIL activities as well as funds from programmes like APDRP, AGSP and AREP.